

Press Release

Zurich, 3 August 2020, 9am

KOF Employment Indicator: The Outlook for the Swiss Labour Market Remains Bleak

In the third quarter of 2020 the KOF Employment Indicator is recovering slightly from its historic slump in the second quarter. Despite the lifting of the lockdown, however, the indicator remains clearly in negative territory at -12.9 points. In industry and the hospitality sector the outlook is almost as bad as it was three months ago. Further job cuts are expected in the coming months.

The KOF Employment Indicator for July stands at -12.9 points. It is thus significantly higher than it was in the second quarter of 2020, when it fell to -20.6 points (revised from -19.9 points) – the fastest and sharpest slump in its almost thirty-year history. Nevertheless, it is still too early to give the all-clear as the indicator is still very low. In the last 15 years there have been only three quarters in which the Employment Indicator hit a lower level.

The Employment Indicator is calculated from KOF's quarterly Business Tendency Surveys. The evaluations for this quarter are based on the responses of around 4,500 companies who were asked about their employment plans and expectations in July. At present there are significantly more firms which believe that their employment levels are too high and therefore plan to reduce their headcount over the coming months than companies which, conversely, have given positive assessments. The survey findings suggest that the coronavirus crisis will continue to have a very negative impact on the labour market in the coming months.

Some lockdown sectors are recovering

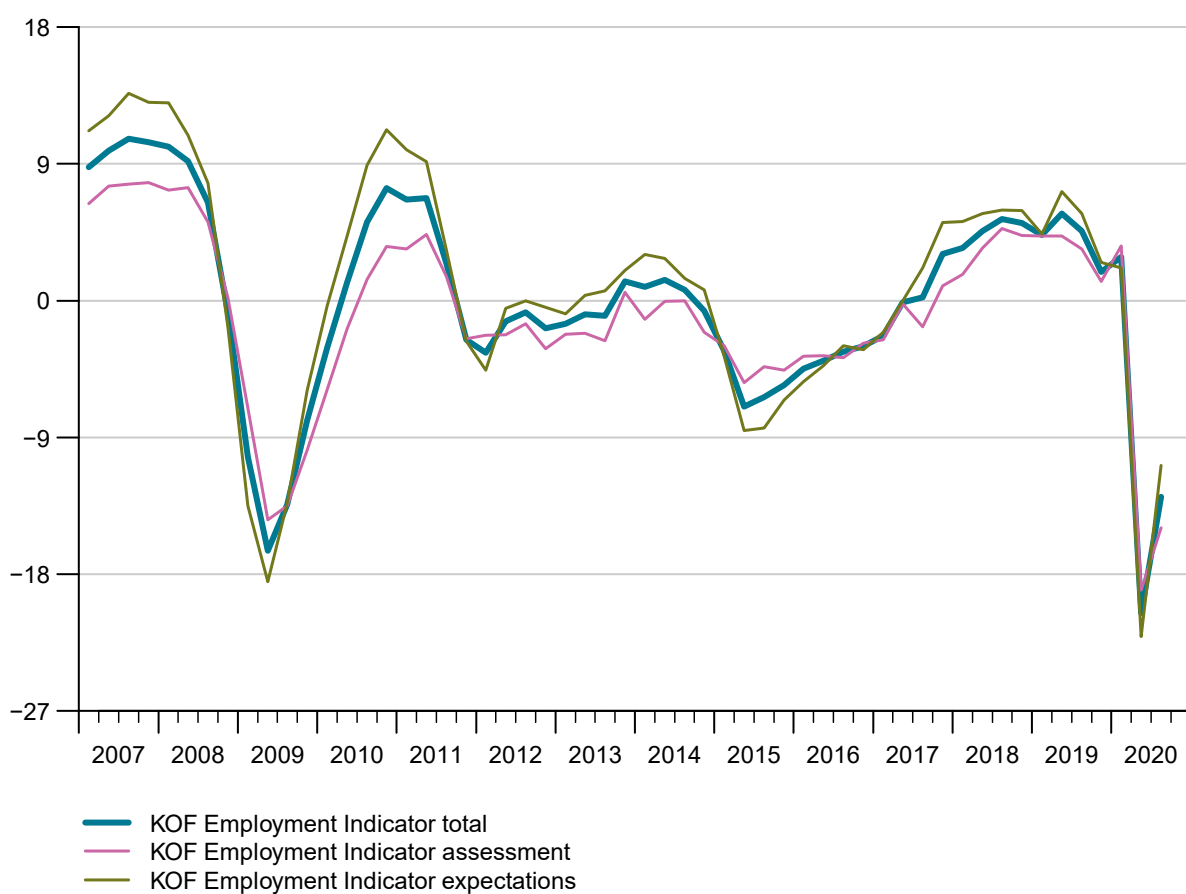
There are considerable differences between sectors here. In some of the sectors that were hit particularly hard by the direct consequences of the business closures ordered by the government, the short-term outlook has improved since the end of the lockdown. The Employment Indicators for the construction industry, retailers and the other service sectors, for example, have risen sharply. Despite the improvement in these sectors, however, it is still too early to sound the all-clear because the sector-specific Employment Indicators are still in negative territory. This is particularly noteworthy for the other service sectors, whose sector indicator is usually firmly in positive territory. This can be attributed to structural job creation in these sectors.

The situation is not improving in the hospitality sector and industry

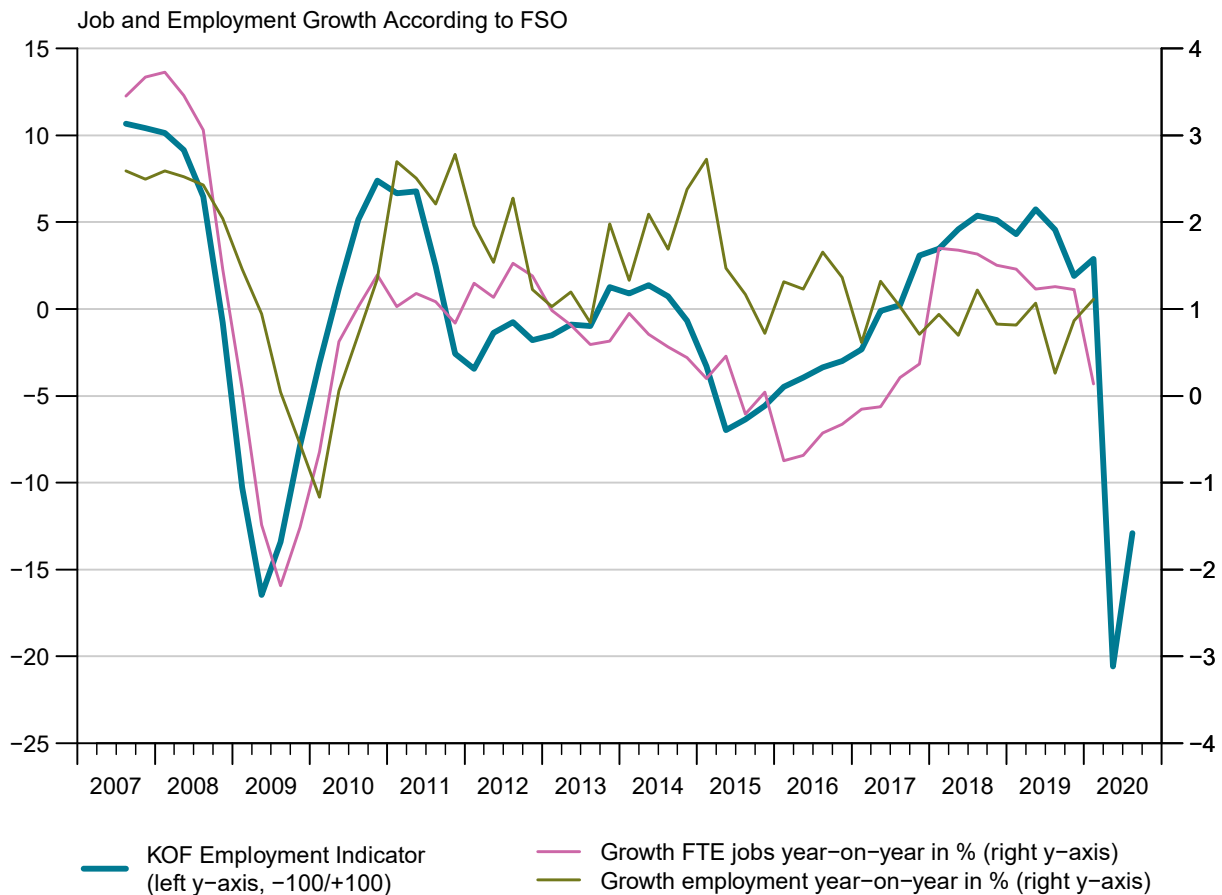
The Employment Indicator for the hospitality sector performed poorly. At -40 points in the third quarter of 2020, it was almost as low as in the previous quarter. Prior to 2020 it had never happened throughout the long history of this sector indicator that it had been below -30 points. According to the surveys, employment prospects in manufacturing have not improved either – in fact, the sector indicator has fallen slightly here. Nevertheless, the aggregate industry indicator is currently still much higher than it was during the worst quarters of the financial and economic crisis of 2009. Employment prospects in the wholesale sector also remain very bleak, which is probably partly due to the fact that companies in this industry typically also supply firms in the hospitality and manufacturing sectors.

| Period | Current indicator value | Value in the preceding quarter |
|-------------------------|-------------------------|--------------------------------|
| 4th quarter 2018 | 5.1 | 5.2 |
| 1st quarter 2019 | 4.3 | 4.3 |
| 2nd quarter 2019 | 5.7 | 5.4 |
| 3rd quarter 2019 | 4.6 | 4.8 |
| 4th quarter 2019 | 1.9 | 2.1 |
| 1st quarter 2020 | 2.9 | 2.9 |
| 2nd quarter 2020 | -20.6 | -19.9 |
| 3rd quarter 2020 | -12.9 | |

KOF Employment Indicator



KOF Employment Indicator, Job and Employment Growth



The KOF Employment Indicator

The KOF Employment Indicator is calculated on the basis of the quarterly KOF Business Tendency Surveys. As part of these surveys, KOF asks private businesses in Switzerland to assess their current staffing levels and to state whether they intend to change them over the coming three months. A positive indicator value means that the number of surveyed firms considering staff cuts during the reference quarter is smaller than the number of businesses intending to create jobs. It has been shown in the past that these assessments anticipate actual trends in the labour market.

Click here for more information about the Indicator and its methodology and to download the data for the Indicator:

<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-employment-indicator.html> →

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